

182227



2006-312-6

October 5, 2006

Mr. Charles Terreni  
Chief Clerk and Administrator  
Public Service Commission of South Carolina  
Post Office Drawer 11649  
Columbia, SC 29211

Dear Mr. Terreni:

Enclosed please find the executed copy of the Interruptible Transportation Agreement between South Carolina Pipeline Corporation and the following natural gas customer:

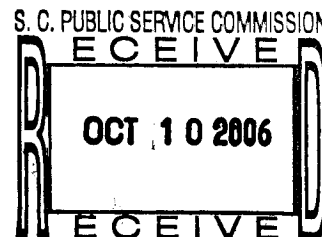
CUSTOMER & LOCATION  
Eastman Chemical Company  
Columbia, SC

Please accept this Agreement for filing in accordance with the Rules and Regulations of The Public Service Commission of South Carolina. If you have any questions, please contact me at 803.217.6459.

Sincerely,

Lynn Hutchins  
Analyst, South Carolina Pipeline Corporation  
Large Customer Group

Enclosure



ORIGINAL

INTERRUPTIBLE TRANSPORTATION AGREEMENT ~~THIS COPY~~ to be RETURNED for FILES of:  
SOUTH CAROLINA PIPELINE CORPORATION

This Agreement made and entered into this 15th day of September, 2006, by and between SOUTH CAROLINA PIPELINE CORPORATION, its successors and assigns, hereinafter called "Seller" and EASTMAN CHEMICAL COMPANY, its successors and assigns, hereinafter called "Buyer" for service to Buyer's industrial facility located near Columbia, South Carolina.

WITNESSETH

WHEREAS, Seller owns and operates a Natural Gas pipeline system in South Carolina and supplies Natural Gas to Distributors and Industrial Customers, and

WHEREAS, Seller owns facilities to accept Natural Gas delivered into South Carolina from interstate pipelines ("Upstream Pipelines"), and

WHEREAS, Buyer, or Buyer's Agent, has entered into an agreement, or agreements for the delivery of Natural Gas owned by Buyer to Seller's facilities in South Carolina, and

WHEREAS, Buyer has requested that Seller transport certain quantities of Natural Gas belonging to Buyer through Seller's facilities and deliver said quantities of Natural Gas to Buyer, and

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements hereinafter set forth to be kept by the parties hereto, it is mutually agreed as follows:

1. SCOPE OF DELIVERY

Seller agrees to accept deliveries of Natural Gas belonging to Buyer at any of Seller's delivery points from Upstream Pipelines, and to transport Buyer's Natural Gas and redeliver to Buyer. Service provided hereunder is in lieu of Natural Gas provided from Seller's system supply to satisfy Buyer's fuel requirements in Priority-of-Service Categories 2, 3E & 7. Buyer agrees that the transportation service is provided on an interruptible basis. Interruptions of transportation service shall be at the sole discretion of Seller or whenever service is interrupted by Upstream Pipelines.

2. DAILY DELIVERIES

Seller agrees to accept and transport up to 25,000 dekatherms, excluding shrinkage volumes, of Natural Gas on a daily basis. Buyer will notify Seller, in writing, of Buyer's intent to transport at least three (3) working days prior to the beginning of any month and will provide the estimated volumes of gas, in dekatherms, to be accepted and transported on a daily basis during the calendar month. Buyer has the right to change the volume to be accepted and transported during the month on a daily basis. It

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is Buyer's responsibility to notify producers, Seller, and connecting pipelines regarding any change in transportation volumes. Seller will accept changes in daily volumes dispatched from Upstream Pipelines; however, Seller reserves the right to limit or restrict the volumes accepted and transported at any time, whenever, in Seller's sole opinion, operating conditions warrant a limitation or restriction on the acceptance or delivery of transportation gas. Limitations or restrictions may be because of, but not limited to, the utilization of deliverability capacity by Seller for Seller's system supply requirements.

3. INITIAL SERVICE

Seller agrees to begin transporting gas for Buyer at 10:00 A.M. Eastern Time on September 18, 2006, at which time the Transportation Agreement between Buyer and Seller dated April 26, 1999 shall terminate.

4. TERM OF AGREEMENT

This Agreement shall become effective on September 18, 2006, and shall continue in full force and effect through 10:00 A.M. on November 1, 2006. This Agreement may be extended by mutual agreement. However, this Agreement shall terminate automatically upon the termination of the current Service Agreement between Buyer and Seller.

5. RATE

Each month, the rate for daily volumes transported for and delivered to Buyer shall be fifty cents (\$0.50) per dekatherm.

6. SHRINKAGE

Seller will retain 2% of all volumes delivered to Seller on Buyer's behalf for shrinkage. The volumes retained by Seller will not create or contribute to an imbalance.

7. BALANCING OF VOLUMES

The volume of gas received on a daily basis for Buyer's account may not equal the volume, less shrinkage, delivered to the Buyer. The result will be deemed an imbalance. Buyer's account will be reviewed at the end of each month, or on termination of Transportation Service, or curtailment or discontinuance thereof. If the net imbalance is such that the Buyer has received more gas than was delivered to the Seller during the period under review, Buyer shall be billed for such excess at the Base Rate as specified in the Service Agreement which provides for standby service. If the

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net imbalance is such that the Buyer has received less gas than was delivered to the Seller, the Seller will buy excess gas at Seller's lowest delivered purchase price in that month from any of Seller's suppliers.

Daily volumes transported by Seller shall not exceed the Contract Maximum Daily Quantity specified in Paragraph 2, DAILY DELIVERIES. In the event a daily volume is delivered by Upstream Pipelines to Seller which exceeds the Contract Maximum Daily Quantity, the excess daily volumes will be purchased by Seller at Seller's lowest delivered price from any of Seller's suppliers.

8. POSSESSION OF GAS

After Buyer delivers gas or causes gas to be delivered to Seller at the point(s) of receipt hereunder, Seller shall be deemed to be in control and possession of the gas until it is redelivered to Buyer at the point of delivery. Buyer shall have no responsibility with respect to and Seller shall indemnify Buyer regarding any gas deliverable by Seller or on account of anything which may be done, happen or arise, with respect to such gas until Seller delivers such gas to Buyer or for the account of Buyer. Seller shall have no responsibility with respect to and Buyer shall indemnify Seller regarding such gas before Buyer delivers such gas to Seller or after Seller redelivers such gas to Buyer or on account of anything which may be done, happen or arise with respect to such gas before such delivery or after such redelivery.

9. WARRANTY OF TITLE TO GAS

The Buyer warrants for itself, its successors and assigns, that it will at the time of delivery to Seller for transportation have good and merchantable title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. Buyer will indemnify Seller and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to said gas, including claims for any royalties, taxes, license fees or charges applicable to such gas or to the delivery thereof to Seller for transportation.

10. NOTICES

All correspondence required under this Transportation Agreement is to be addressed as follows:

To Seller: South Carolina Pipeline Corporation  
Customer Relations (K58)  
Post Office Box 102407  
Columbia, SC 29224-2407

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To Buyer: Eastman Chemical Company  
 Post Office Box 1782  
 Columbia, SC 29202

11. SPECIAL PROVISIONS

- (a) The Buyer bears sole responsibility for costs incurred to deliver transportation gas to Seller.
- (b) Buyer shall be required to reimburse Seller for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Transportation Agreement. Any required expenses will be subject to Buyer's prior approval.
- (c) Seller retains the sole discretion as to whether or not a particular Buyer or particular Buyers shall receive service pursuant to Transportation Agreement.
- (d) It is contemplated that service pursuant to this Transportation Agreement shall be provided within the existing limitations of Seller's system, and Seller shall not be required to expand or alter the said system.

12. CURTAILMENT OF TRANSPORTATION SERVICE

- (a) Transportation service may be curtailed or discontinued at the sole option of Seller after not less than two (2) hours advance notice by telephone or otherwise. However, the Buyer shall continue to hold title to any gas (less shrinkage) received by Seller and not delivered prior to such curtailment or discontinuance. Seller will notify Buyer when conditions permit Seller to resume transportation service.
- (b) Transportation Service may also be curtailed or discontinued by some party other than Seller (e.g., Upstream Pipelines). Seller has no responsibility to notify Buyer of curtailment by any third party.
- (c) When deliveries of gas to Seller on behalf of Buyer are curtailed or discontinued, Buyer will automatically begin receiving standby service from Seller's system supply in accordance with the Service Agreement that provides for standby service. Buyer will be placed on standby service at the effective time of curtailment provided to Seller by the third party.

13. PRIORITY AND ALLOCATION OF TRANSPORTATION SERVICE

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It is acknowledged by Buyer that other end-users of Natural Gas may from time to time contract with Seller for the transportation of Natural Gas owned by them. In the event that available capacity or operating conditions exist which limit the acceptance by Seller of Natural Gas to an amount that is less than the aggregate volume of all such Natural Gas tendered for transportation and redelivery by any or all end-users that have contracted with Seller for transportation service, the following priorities and allocations shall apply:

- (a) All Natural Gas purchased by Seller for its system supply or otherwise owned by Seller shall have the highest priority of acceptance into Seller's system and the highest priority of delivery throughout Seller's system.
- (b) The priority of acceptance of Natural Gas owned by end-users, whoever they may be from time to time, and tendered to Seller's system for redelivery thereof shall be based upon the category of service, pursuant to the General Terms and Conditions to Industrial Service Agreements attached hereto, for which Seller has agreed to provide standby service associated with a Transportation Agreement with any such end-user. Higher priorities of standby service pursuant to individual agreements between Seller and end-users shall determine the priority of acceptability and redeliverability of Natural Gas tendered to Seller for transportation in accordance with the priority categories in the Curtailment Plan. If any Transportation Agreement between Seller and an end-user does not contain a provision for standby service and a specified category of service with respect to said standby service provision, then the acceptability and redeliverability of any Natural Gas tendered by such end-user to Seller shall have the lowest priority of acceptability and redeliverability.
- (c) In the event that the total volume of Natural Gas tendered to Seller for acceptance and redelivery relative to a single category of standby service is greater than the capacity determined by Seller to be available for acceptance and redelivery of Natural Gas in said category of standby service, then acceptance and redelivery of such tendered gas shall be allocated pro rata based upon the contract volumes in all agreements for transportation service containing said category of standby service on the Seller's system.

The determination of the existence of limitations on capacity or operating conditions which limit the acceptability or deliverability of Natural Gas tendered to Seller's system for transportation shall be at the sole discretion and judgement of Seller.

#### 14. CREDITWORTHINESS

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SELLER \_\_\_\_\_

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*sf*

In order to satisfy itself of Buyer's ability to fulfill obligations under this Agreement, Seller may conduct periodic reasonable credit reviews. Buyer agrees to assist in these reviews by providing financial information requested by the other party. In the event that Buyer's debt rating by Standard and Poor's, Moody's, or Fitch's rating agencies is (i) below investment grade, or (ii) is not rated by any of the rating agencies, and Seller deems Buyer's creditworthiness is insufficient to meet Buyer's obligations under this Agreement, Seller may request additional credit assurance. Buyer agrees to provide such credit assurance in the form and amount specified by Seller, including, but not limited to, an unconditional and irrevocable letter of credit, to provide adequate security for protection against the risk of nonpayment. Credit assurance requested pursuant to this section shall not exceed the expected amount of two of Buyer's monthly bills. Failure to comply with Seller's reasonable request for credit support within ten (10) days of receipt of such a request shall be deemed an event of default by Buyer.

If at any time Buyer provides Seller a letter of credit for amounts owed under this Agreement, the Parties acknowledge that any such letter of credit is a distinct and separate contractual agreement between the issuer and Seller.

15. ASSIGNMENT

Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

16. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions to Industrial Service Agreements then on file with the Public Service Commission of South Carolina, a current copy of which is attached hereto, are hereby incorporated in and made a part of this Agreement. Should there be any conflict between any portion of the General Terms and Conditions to Industrial Service Agreements and this Agreement, the Parties agree that the Agreement shall prevail.

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SELLER

*[Handwritten signature]*  
*[Handwritten signature]*

In lieu of Article II, Paragraph 1 and 2, of the General Terms and Conditions to Industrial Service Agreements, Buyer and Seller hereby agree:

1. "Day" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 A.M. Eastern Time or at such other hour as the Seller and the Buyer may agree upon.
2. "Month" shall mean the period beginning at 10:00 A.M. Eastern Time on the first day of a calendar month and ending at 10:00 A.M. Eastern Time on the first day of the next succeeding calendar month.

IN WITNESS WHEREOF, this Interruptible Transportation Agreement has been executed on the date first above written by the parties hereto by their officers or other authorized representatives.

EASTMAN CHEMICAL COMPANY

Buyer

*Ray Rabheal*

By

**DIRECTOR, FEEDSTOCK &  
ENERGY PROCUREMENT**

Title

*[Signature]*

Witness

9/15/2006

Date

SOUTH CAROLINA PIPELINE CORPORATION

Seller

*[Signature]*

By Sam Dozier

**VICE PRESIDENT  
COMMERCIAL & FIELD OPERATIONS**

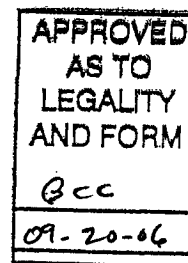
Title

*[Signature]*

Witness

September 28, 2006

Date



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SELLER

*[Signature]*  
*[Signature]*



**ORIGINAL**

**SOUTH CAROLINA PIPELINE CORPORATION** THIS COPY to be RETURNED for FILES of:  
SOUTH CAROLINA PIPELINE CORPORATION  
**GENERAL TERMS AND CONDITIONS TO INDUSTRIAL SERVICE AGREEMENTS**  
 REVISED -- JANUARY 1, 1985

**Article I**  
**GENERAL**

These Terms and Conditions to Industrial Service Agreements are supplementary to the Rules and Regulations issued by the Public Service Commission of South Carolina.

The provision of these Terms and Conditions apply to all persons, partnerships, corporations or others designated as industrial users who are lawfully receiving gas service from South Carolina Pipeline Corporation under rate schedules or service agreements filed with the Commission.

South Carolina Pipeline Corporation is referred to herein as "Seller", and the user or prospective user is referred to as "Buyer". The Public Service Commission of South Carolina is referred to herein as "Commission".

**Article II**  
**DEFINITIONS**

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used and shall be construed to have meaning as follows:

1. "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 8:00 A.M. Eastern Time or at such time as the Seller and the Buyer may agree upon.
2. "Month" shall mean the period beginning at 8:00 A.M. Eastern Time on the first day of a calendar month and ending at 8:00 A.M. Eastern Time on the first day of the next succeeding calendar month.
3. "Year" shall mean a period of 365 days commencing with the day of first delivery of gas hereunder, and each 365 days thereafter except that in a year having a date of February 29th, such year shall consist of 366 days.
4. "Cubic foot of gas" shall mean the amount of gas required to fill a cubic foot of space when the gas is at an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch at a temperature of sixty (60) degrees Fahrenheit.
5. "CCF" shall mean one hundred (100) cubic feet of gas.
6. "MCF" shall mean one thousand (1000) cubic feet of gas.
7. "BTU" shall mean a British Thermal Unit and is the amount of heat required to raise the temperature of one (1) pound of water 1° Fahrenheit at 60° Fahrenheit.
8. "MMBTU" shall mean one million British Thermal Units.
9. "Therm" shall mean the quantity of heat energy which is 100,000 British Thermal Units.
10. "Dekatherm" (dt) shall mean one million British Thermal Units and is synonymous to the term MMBTU.
11. "Natural Gas" or "Gas" shall mean natural gas, processed, unprocessed, vaporized liquid natural gas, synthetic gas, propane-air mixture or any mixture of these gases.
12. Maximum Daily Quantity (MDQ) shall mean the maximum volume of gas, in dekatherms, specified in an executed Service Agreement or Amendment to a Service Agreement, which Seller obligates itself to be ready to deliver daily to Buyer when Buyer is adhering to curtailment instructions of Seller pursuant to procedures set forth in Article III herein.
13. "Firm Service" shall mean from published tariffs and/or contracts under which Seller is expressly obligated to deliver specific volumes within a given time period and which anticipates no interruptions but which may permit unexpected interruption in case the supply to higher priority customers is threatened.
14. "Interruptible Service" shall mean service from approved contracts under which Company is not expressly obligated to deliver specific volumes within a given time period, and which anticipates and permits interruption on short notice, or service under approved contracts which expressly or impliedly require installation of alternate fuel capability.

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15. "Commercial Service" shall mean service to Customers engaged primarily in the sale of goods or services including institutions and local, state and federal government agencies for uses other than those involving manufacturing or electric power generation.
16. "Industrial Services" shall mean service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.
17. "Plant Protection Gas" shall mean the minimum volumes required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production. A determination will be made by the Seller of minimum volumes required. Such essential volumes will be dispatched accordingly.
18. "Feedstock Gas" shall mean natural gas used as a raw material for its chemical properties in creating an end product.
19. "Process Gas" shall mean gas used for which alternate fuels, other than another gaseous fuel, are not technically feasible such as in applications requiring precise temperature controls and precise flame characteristics.
20. "Boiler Fuel" shall mean natural gas used as fuel for the generation of steam and in internal combustion turbine engines for the generations of electricity.
21. "Alternate Fuel Capability" shall mean a situation where an alternate fuel could have been utilized whether or not the facilities for such use have actually been installed; provided however, where the use of natural gas is for plant protection, feedstock or process uses and the only alternate fuel is propane or other gaseous fuel, then the Buyer will be treated as if he had no alternate fuel capability if such fuel is unobtainable for serving such fuel needs.
22. "Gas Supply Deficiency" shall mean any occurrence relating to Seller's gas supply which causes Seller to deliver less than the total requirements of its system, including failures of suppliers to deliver gas for any reason, requirement of gas for system storage, conservation of gas for future delivery, or any other occurrence which is not enumerated herein which affects Seller's gas supply.
23. "Storage Injection Requirements" shall mean all volumes required by the Seller for injection into underground storage, including cushion gas, and for liquification, including fuel used for injection and in liquification plants, or for such other storage projects that may be developed expressly for the protection of supply to high priority users.
24. "Company Use Gas" shall mean fuel used for gas compression, LPG plants and LNG plants, other gas needed by Seller's facilities to furnish the requirements of Buyers, together with unaccounted for gas. This gas shall be considered included in Priority of Service Category 1 of the Curtailment Plan.
25. "Essential Human Needs" shall mean natural gas service, which, if denied, would cause shutdown of an operation resulting in the closing of the establishment essential to maintaining the health and safety of the general public.
26. "The Point of Delivery" shall be at the outlet of the Seller's measuring equipment and regulating equipment.

### Article III CURTAILMENT OF SERVICE

1. In the event of a Gas Supply Deficiency on the Seller's system, the Seller shall require curtailment of Buyer in accordance with the following procedure:
  - a. Seller shall order curtailment of sales made to Buyers purchasing gas under direct industrial Rate Schedules or Service Agreements in descending order in accordance with priority of service categories set forth below. Approved emergency gas is excepted from curtailment.
    1. Residential and small commercial customers (less than 50 MCF on a peak day) and essential human needs customers where there is no installed or available alternate fuel capability.
    2. Large commercial direct flame requirements (50 MCF or more on a peak day); firm industrial requirements for plant protection, feedstock and process needs; and storage injection requirements.
    - 3A. Firm industrial requirements for uses other than boiler fuel which do not qualify for Category 2.
    - 3B. Firm commercial and industrial boiler fuel requirements up to 1,000 MCF on a peak day.
    - 3C. Interruptible requirements for human need types of facilities such as public buildings, hospitals and laundries.
    - 3D. Interruptible requirements for direct flame applications which can utilize only another gaseous fuel as an alternate.

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- 3E. Interruptible requirements for direct flame applications which can utilize a fuel other than a gaseous fuel as an alternate.
- 3F. Interruptible requirements for boiler fuel use of less than 300 MCF on a peak day.
- 4. (LEFT BLANK INTENTIONALLY)
- 5. (LEFT BLANK INTENTIONALLY)
- 6. Interruptible Boiler Fuel requirements of 300 MCF or more, but less than 1,500 MCF on a peak day, where alternate fuel capabilities can meet such requirements.
- 7. Interruptible Boiler Fuel requirements of 1,500 MCF or more, but less than 3,000 MCF on a peak day, where alternate fuel capabilities can meet such requirements.
- 8. Interruptible Boiler Fuel requirements of 3,000 MCF or more, but less than 10,000 MCF on a peak day, where alternate fuel capabilities can meet such requirements.
- 9. Interruptible Boiler Fuel requirements of 10,000 MCF or more on a peak day, where alternate fuel capabilities can meet such requirements.
- 10. Natural gas requirements of customers, who have an alternate fuel as their primary energy source, but use natural gas as a standby fuel.
- b. Curtailment will be in descending order beginning with Category 10 (i.e. Category 1 is the highest priority).
- c. A determination of the category in which a Buyer is placed will be made each year based upon usage in the preceding twelve months ending August 31 and/or current contract as of the same date. The placement of a Buyer in a category in accordance with the determination made herein will be effective November 1 of the current year, extending through October 31 of the following year. A moving base period will be used each year with such base period to include the preceding twelve months ending August 31 of the current year. Reclassifications in categories will be effective on November 1 of the current year. Where a reclassification is necessary, the affected Buyer will be notified of such reclassification prior to November 1 of the current year.
- d. Where daily volumes are not available to make the determination of the 50 MCF/day required in the (A) above, then requirements shall be determined by taking those Buyers having actual usage of 1000 MCF or more per month for any month during the previous twelve (12) month period ending August 31. Such month's use will be divided by the number of days during that specific billing cycle. By means of the average daily volume thus obtained, the Buyer will be placed in the appropriate category. Where daily volumes for the peak month in the base period are available to make the required determination, then such volumes will be used.
- e. Any new Buyer added during any base period will be placed in the appropriate category by the Seller in accordance with the best information available.

#### Article IV SCOPE OF AGREEMENT

- 1. Seller's natural gas operations are regulated by the Commission and are subject to "Rules and Regulations Governing Service Supplied by Gas Systems in South Carolina" as amended from time to time. Deliveries of gas hereunder are subject to total or partial curtailment or interruption by Seller pursuant to operating procedures as are now, or may hereafter be, prescribed by the Commission. Buyer hereby expressly acknowledges that Seller shall not be liable in damages for, or on account of, any curtailment or interruption of deliveries where such curtailment or interruption is the result of, or pursuant to, operating procedures prescribed by the Commission directing curtailment or interruption of service.
- 2. Buyer shall consult with and furnish to the Seller such information as the Seller may require to determine the availability of service at a particular location before proceeding with plans for any new or additional gas loads. No new or additional gas loads will be served if it is determined that such service will jeopardize service to existing customers by increasing the total system's firm load requirements above available supplies.
- 3. Deliveries of "Firm Gas" up to the Maximum Daily Quantity set forth in the Service Agreement, shall be firm and shall not be subject to curtailment or interruption by Seller except that caused by Force Majeure, or operating conditions beyond Seller's control, or where such curtailment or interruption is the result of, or pursuant to, operating procedures

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prescribed by the Commission. Deliveries hereunder shall have priority over all deliveries made by Seller on an interruptible basis.

4. Deliveries of "Interruptible Gas" shall be subject to curtailment or interruption by Seller at any time and from time to time when, in Seller's sole judgment, it does not have gas available, and Buyer hereby expressly acknowledges that Seller shall not be liable in damages for, or on account of, any curtailment or interruption of deliveries. Seller agrees to give Buyer not less than two (2) hours notice of curtailment or interruption in writing or orally in person or by telephone; provided, however, that if curtailment or interruption is occasioned by an event of Force Majeure affecting the Seller's system, Seller shall be obligated to give only such notice as is practicable in the circumstances. Seller agrees to communicate curtailment notices to one of the persons designated from time to time by Buyer as authorized to receive such notices. If Buyer has not made such designation, or if Seller is unsuccessful in its efforts to promptly communicate with the persons so designated, then said notice shall be sufficient if given by Seller to any person who is on Buyer's premises or who answers Buyer's telephone. Whenever, and to the extent that the Seller is unable to deliver the gas requirements of the Buyer, the Buyer shall have the right to purchase gas or other fuel sufficient to make up such deficiency from such other source or sources as may at the time be available to Buyer.
5. Gas taken by a Buyer of "Firm Gas" on any day, without Seller's advance approval, which exceeds Buyer's Maximum Daily Quantity shall be considered to be Unauthorized Overrun Gas. Seller shall bill, and Buyer shall pay, for such Unauthorized Overrun Gas at the following rates, in addition to all other charges payable to Seller hereunder:
  - (a) For the first three percent (3%) of the Maximum Daily Quantity, the Unauthorized Overrun Gas shall be paid for at 1.25 times the Base Rate set forth in the Service Agreement, and
  - (b) For the next two percent (2%) of the Maximum Daily Quantity, the Unauthorized Overrun Gas shall be paid for at 3.0 times the Base Rate set forth in the Service Agreement, and
  - (c) For additional volumes the Unauthorized Overrun Gas shall be paid for at 5.0 times the Base Rate set for in the Service Agreement.

The payment of an Overrun Penalty shall not, under any circumstances, be considered as giving Buyer the right to take Unauthorized Overrun Gas, nor shall such payment be considered to exclude or limit any other remedies available to Seller or another Buyer against the offending Buyer for failure to comply with its obligations to stay within its Maximum Daily Quantity.

6. Any interruptible gas taken by Buyer after the effective hour of an order calling for complete curtailment of all interruptible gas deliveries hereunder shall be considered to be Unauthorized Overrun Gas. Seller shall bill and Buyer shall pay, for such Unauthorized Overrun Gas at the rate of Twenty-five dollars and no cents (\$25.00) per dekatherm, in addition to the Base Rate specified in the Service Agreement for such gas used.

The payment of Overrun penalty shall not, under any circumstances, be considered as giving the Buyer the right to take Unauthorized Overrun Gas, nor shall such payment be considered to exclude or limit any causes of action or other remedies available to Seller against the Buyer for failure to comply with curtailment orders issued by Seller hereunder.

7. The South Carolina Public Service Commission has prescribed the following operating procedures in regard to the curtailment of interruptible service by Seller:

During the period when operating conditions require curtailments in any type of interruptible service, Seller shall curtail deliveries of gas without discrimination within end-use priority of service categories established by the South Carolina Public Service Commission and pursuant to curtailment instructions received from its supplier or suppliers made in accordance with General Terms and Conditions to the Service Agreement between Seller and its supplier or suppliers and any subsequent modification or amendment thereof.

8. Buyer agrees that all gas delivered hereunder shall be used by the Buyer and that no portion thereof shall be resold.

## Article V QUALITY

1. The gas delivered hereunder shall be natural gas or any mixture of natural and manufactured gas, including but not limited to, synthetic gas or liquefied petroleum gas as provided for in Paragraph 3 hereof; provided, however, that moisture, impurities, helium, natural gasoline, butane, propane and other hydrocarbons except methane may be removed prior to delivery to Buyer, Seller may subject or permit the subjection of the gas to compression, heating, cooling, cleaning, or other processes, which are not substantially detrimental to the merchantability of the gas.

BUYER *[Signature]*  
SELLER *[Signature]*

2. The gas delivered hereunder shall have a total heating value of not less than 950, nor more than 1,400 BTU's per cubic foot of dry gas, and be reasonably free of moisture, objectionable liquids and solids so as to be merchantable upon delivery to Buyer.
3. Seller may permit its suppliers or it may itself supply gas from any stand-by equipment installed by it or by its suppliers, provided that the gas so supplied shall be reasonably equivalent to the natural gas supplied hereunder, and adaptable for use by Buyer without the necessity of making other than minor adjustments to fuel burning equipment.
4. If the natural gas offered for delivery by Seller shall fail at any time to conform to any of the specifications set forth in the Article V, Quality, then Buyer agrees to notify Seller thereof and Buyer, thereupon, may at its option refuse to accept delivery pending correction by Seller. Upon Seller's failure to properly remedy any deficiency in quality as specified herein, then Buyer may accept delivery of such natural gas and make changes necessary to bring such gas into conformity with such specifications and Buyer shall then deduct from future payments any reasonable expenses incurred by it in effecting such change as agreed to by both parties.
5. Odorization of gas delivered hereunder is not required of Seller. However, nothing in these Terms and Conditions shall preclude Seller from odorizing such gas if Seller so desires or Seller is required by federal or state regulatory agencies to perform such odorization.

#### Article VI MEASUREMENTS

1. The volumes and total heating value of the gas delivered hereunder shall be determined as follows:
  - (a) The Unit of Volume shall be a cubic foot of gas.
  - (b) When orifice meters are used, volumes delivered shall be computed in accordance with the specifications, formulae and tables published April, 1955, as Gas Measurement Committee Report No. 3 of the American Gas Association, and any modifications and amendments thereto, and shall include the use of flange connections.
  - (c) All volumes delivered shall be corrected to the pressure base of 14.73 psig and temperature base of 60° F. The average absolute atmospheric pressure shall be assumed to be fourteen and seven tenths (14.7) pounds to the square inch, irrespective of actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.
  - (d) The temperature of the gas shall be assumed to be 60 degrees Fahrenheit (60°) unless Seller elects to install a recording thermometer or temperature correcting device. If a recording thermometer is installed, the arithmetical average of the 24 hour period will be used to determine the temperature correctly.
  - (e) The specific gravity of the gas shall be determined by a recording gravitometer of standard manufacture installed in a suitable location. Where a recording gravitometer is not used, the specific gravity of the gas shall be assumed to be the same as that of Seller's supplier(s).
  - (f) The total heating value of the gas delivered hereunder may be determined by Seller by using a standard type of recording calorimeter, spectrometer, chromatograph, or other approved instrument which shall be so located, at a suitable point on Seller's line, in order that the BTU content of gas delivered hereunder may be properly obtained. Where required, daily readings from the record so obtained shall be corrected to the basis of measurement provided and from a saturated basis to the average moisture content of the gas delivered, the result being the BTU content of the gas delivered during the billing period. In the event that Seller does not install a recording instrument for such determination or its instrument is not operating properly, the total heating value shall be determined from a recording calorimeter or comparable instrument properly installed and operated by Seller's supplier of natural gas, provided, such values are applicable to the gas that may be delivered to the Buyer. When Seller is making propane-air to supplement its gas supply, the BTU content of the gas shall be calculated by a method such as using the recorded gravity of the propane-air, the natural gas and the combined mixture along with the measured BTU value of the gas where available. The BTU content of propane shall be assumed to be 91,500 BTU's per gallon.

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## Article VII MEASURING EQUIPMENT

1. Seller will maintain and operate, at its own expense and at the point of delivery of gas hereunder, a meter or meters and other necessary equipment by which the volume of gas delivered hereunder shall be measured. Such meters and equipment shall remain the property of the Seller.
2. Buyer agrees to furnish to Seller electricity for operating Seller's meters, at not cost to Seller.
3. Buyer agrees to change the charts on Seller's meters at no cost to Seller and forward same to Seller.
4. Buyer hereby grants to Seller suitable rights-of-way and easements necessary or incidental for the installation, maintenance, operation and removal of pipeline and other facilities together with rights of ingress thereto and egress there from at all times and hereby agrees to deliver to Seller, for the sum of one dollar (\$1.00), an appropriate instrument or grant defining such rights and easements located on Buyer's plant site.
5. Buyer may install, maintain and operate such check measuring equipment, including a recording gravitometer and calorimeter as it shall desire, provided that such equipment shall be so installed so as not to interfere with the operation of Seller's measuring equipment at or near the point of delivery. However, all billings to the Buyer shall be based on the metering of the Seller, subject only to the provisions of Paragraph 8 of this Article.
6. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder and each party shall advise the other of any intended major maintenance operation sufficiently in advance in order that the other party may conveniently have its representative present.
7. All installation of measuring equipment, applying to or effecting deliveries hereunder, shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Orifice meter installations, if used, shall conform to the recommendations for design and installation contained in the Gas Measurement Committee Report No. 3 to the American Gas Association published April, 1955, and any modifications and amendments thereof and shall include the use of flange connections.
8. Measurement on Seller's meter or meters shall be conclusive of both parties except where the meter is defective or fails to register, or if found in error, in either of which case Seller shall repair or replace the meter and the quantity of gas delivered while the meter was out of order or failed to register shall be estimated: (a) By using the registration of any check meter if installed and accurately registering, or, in the absence of (a): (b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation, or, in the absence of both (a) and (b) then: (c) By estimating the quantity of delivery from deliveries during periods under similar conditions when the meter was registering accurately; and an appropriate billing adjustment shall be made in accordance with the current Rules and Regulations governing gas systems issued by the Commission.
9. Seller will maintain its meters in good order and to this end will make periodic tests of its meters pursuant to the current Rules and Regulations governing gas systems issued by the Commission, or at such shorter intervals as seem to Seller desirable. If Buyer is dissatisfied with the accuracy at any time, it may call upon Seller to have the meter tested in accordance with all regulations relating to such tests and results of such tests as found in the current Rules and Regulations governing gas systems issued by the Commission.
10. Each party shall preserve all records for a period of at least two (2) years.

## Article VIII BUYER'S FACILITIES

1. Buyer will maintain at its own expense facilities from the delivery point to the point of use and the burners and equipment for using gas, and Buyer will at all times keep gas-using equipment on said premises in a condition conforming with such reasonable rules and regulations as may be prescribed therefore by regulatory authority having jurisdiction thereover and with the requirements of any valid law thereto appertaining. In the event that rules are not prescribed by a regulatory authority, Buyer will abide by codes as used in the gas industry.
2. Seller shall not approve sale of gas on an interruptible basis to Buyer until and unless Seller is satisfied that Buyer has, or will, install adequate stand-by facilities to meet its full fuel requirements during periods of sustained interruptions.

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3. Seller shall not approve sales of gas to Buyer unless Seller is satisfied that Buyer has not, or will not interconnect downstream fuel piping of natural gas for use in different priority-of-service categories.

### Article IX RATE ADJUSTMENTS

1. Taxes applicable to the gas delivered to Buyer hereunder as are in effect on January 1<sup>st</sup> immediately preceding the effective date of these terms and conditions shall be added to Buyer's bill. The term "tax" as used herein shall mean any tax, license fee, or charge applicable to the gas delivered hereunder, imposed on Seller by any governmental authority on such gas. If the existing rate of any such tax in effect on January 1<sup>st</sup>, immediately preceding the effective date of these terms and conditions, be hereafter increased or decreased, or if any tax heretofore in effect or hereafter be imposed or repealed, the resulting increase or decrease in such taxes, computed on a cents per dekatherm basis, shall be reflected, as the case may be, on Buyer's bill.
2. Any applicable surcharge or special charges ordered by the Commission or any other duly constituted regulatory body shall be included in addition to the price of gas computed in accordance with the terms of the Service Agreement.

### Article X BILLING

1. Bills computed from readings taken of Seller's meters shall be rendered and paid monthly within ten (10) days of the billing date. A month shall mean a period beginning on the first recognized work day of the calendar month and ending on the first recognized work day of the next succeeding calendar month, or at such other equivalent period as Seller may deem necessary. Should Buyer fail to pay any amount due to Seller when same is due, a late payment charge of one and one half percent (1 ½ %) will be added to any balance remaining twenty-five (25) days after the billing date. If such failure to pay continues, Seller may suspend deliveries of gas hereunder. The exercise of such right shall be in addition to any and all other remedies available to Seller.
2. If it shall be found that Buyer has been overcharged or undercharged in any form whatsoever under the provision hereunder, Seller shall take action to correct such billing pursuant to current Rules and Regulations governing gas systems issued by the South Carolina Public Service Commission.

### Article XI POSSESSION OF GAS AND INDEMNIFICATION

1. As between the parties hereto, Seller shall be deemed to be in control and possession of the gas deliverable hereunder until it shall have been delivered to Buyer at the Point of Delivery after which Buyer shall be deemed to be in control and possession thereof.
2. Buyer shall indemnify and hold harmless the Seller from any and all loss (including death), damage, or liability incurred by the Seller by reason of any act of the Buyer, its agents or employees, in the receiving, use or application of said gas on the Buyer's side of the Point of Delivery unless the same shall be due to the sole negligence of the Seller, its agents or employees. The Seller shall indemnify and hold harmless the Buyer from any and all loss (including death), damage or liability incurred by the Buyer by reason of any act of the Seller, its agents or employees, unless the same shall be due to the sole negligence of the Buyer, its agents or employees.

### Article XII WARRANTY OF TITLE TO GAS

1. Seller warrants the title to all gas delivered hereunder and the right to sell the same and that such gas shall be free and clear from all liens and adverse claims.

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**Article XIII  
FORCE MAJEURE**

1. In the event of either party hereto being rendered unable wholly or in part by force majeure to carry out its obligations under this contract, other than to make payments due hereunder, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of government and people, civil disturbances, explosions, breakage or accidents to machinery or lines or pipe, freezing of wells or lines or pipe, partial or entire failure of source of supply, and any other causes whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such terms shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights-of-way grants, permits, or licenses; and (b) in those instances where either party hereto is required to furnish materials and supplies to secure grants or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire at reasonable cost and after the exercise of reasonable diligence such materials and supplies, permits and permissions.
2. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party involved and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts acceding to the demands of opposing party when such course is inadvisable in the discretion of such party.

**Article XIV  
MISCELLANEOUS**

1. If either party shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of the Service Agreement of which these General Terms and Conditions are a part, (except where such failure shall be excused under any of the provisions of this Service Agreement), then in such event, the other party may, at its option, terminate this Service Agreement by proceeding as follows: The party not in default shall cause a written notice to be served on the party in default, stating specifically the cause for terminating this Service Agreement and declaring it to be the intention of the party giving the notice to terminate the same; thereupon, the party in default shall have thirty (30) days after the service of the aforesaid notice in which to remedy and remove said cause or causes and fully indemnify the party not in default for any and all consequences of such breach, then such notice shall be withdrawn and this Service Agreement shall continue in full force and effect. In case the party in default does not so remedy and remove the notice for any and all consequences of such breach, within said period of thirty (30) days, then this Service Agreement shall become null and void from and after the expiration of said period. Any cancellation of this Service Agreement pursuant to the provisions of this Article shall be without prejudice to the right of party not in default to collect any amounts then due it and without waiver of any other remedy to which the party not in default may be entitled for violation of this Service Agreement.
2. The Service Agreement, of which these General Terms and Conditions are a part thereof, shall be binding upon and inure to the benefit of the Seller and the Buyer and their successors and assigns.
3. Except as otherwise provided, any notice, request, demand, statement or bill, which either Buyer or Seller may desire to give to the other shall be in writing and shall be considered as fully delivered when mailed by prepaid registered mail addressed to said party at its last known post office address, or at such other addresses as either party may designate in writing. Routine communications, including monthly statements, and payments shall be considered as duly delivered when mailed by either registered or ordinary mail.

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4. Buyer covenants and agrees to execute or file, or cooperate with Seller in the execution or filing of, any report, certificate or other document required by any governmental agency having jurisdiction over this contract or the parties hereto, or any other certificate or document requested by Seller necessary for Seller to obtain the benefit of any exemption from sales, use or other tax. Buyer shall indemnify Seller for any loss sustained by Seller as a result of Buyer's breach of this covenant.
5. Seller hereby advises Buyer that Seller is required, pursuant to the terms and provisions of Indentures between the Seller and a Trustee(s) securing First Mortgage Pipe Line Bonds of the Seller, to assign pledge and mortgage to the Trustee(s) all of its right, title and interest under this Service Agreement. The execution of this Service Agreement will be considered as Seller giving Buyer due and written notice of such assignment, and the Buyer agrees to execute and deliver to the Trustee(s), from time to time, such acknowledgements that is has received such notice as may be required.
6. The parties hereto in executing the Service Agreement and these General Terms and Conditions, acknowledge that these General Terms and Conditions are a part of the Service Agreement.

Buyer: Eastman Chemical Company

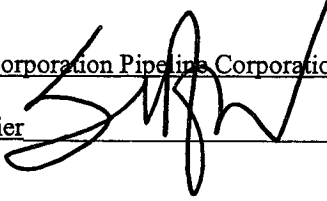
By: 

Title: DIRECTOR, FEEDSTOCK & ENERGY PROCUREMENT

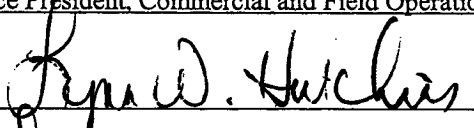
Witness: 

Date: 9/15/2006

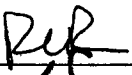
Seller: South Corporation Pipeline Corporation

By: 

Title: Vice President, Commercial and Field Operations

Witness: 

Date: September 28, 2006

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